



June 28, 2004

Jennifer J. Johnson  
Secretary, Board of Governors  
Of the Federal Reserve System  
20<sup>th</sup> and C Street, N. W.  
Washington, DC 20551

Via e-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

**Reference: Federal Register/Vol. 69, No. 83  
Proposed Instructional Revisions to the CALL Report  
Regarding GNMA Buy-Back Option and When Issued Securities**

Dear Ms. Johnson:

SunTrust Banks, Inc. (SunTrust) appreciates the opportunity to comment on the proposal to clarify the reporting of GNMA Buy-Backs on the Call report. SunTrust Banks, Inc., headquartered in Atlanta, Georgia, is one of the nation's largest commercial banking organizations. The Company operates through an extensive distribution network primarily in Florida, Georgia, Maryland, Tennessee, Virginia and the District of Columbia and also serves customers in selected markets nationally. SunTrust's primary businesses include deposit, credit, trust and investment services. Through various subsidiaries the Company provides credit cards, mortgage banking, insurance, brokerage, and capital market services.

We understand that the purpose of this proposal is to achieve reporting consistency and clarify instructions. While we agree with your principle, we have some concerns as to reporting these loans as past due or as ORE.

We also strongly believe that regulatory reporting should follow U. S. GAAP. We therefore feel that your proposal to report on balance sheet "when-issued" securities at trade date is appropriate.

We do not agree with the current proposal to report as past due, loans that substantially represent claims against government agencies. We would not be opposed to reporting these balances in a separate memo item but believe that the inclusion of claims represented by delinquent GNMA loans in the total past due data is an inaccurate portrayal of risk. Reporting these GNMA delinquent loans in past due totals, primarily 90 days and over, would result in these balances being included in the analysis segment of the Uniform Bank Performance Report as well as in our credit performance ratios. Readers of these metrics may draw inaccurate conclusions regarding risk management and credit underwriting policies and practices of the individual respondents. Historically losses on these loans have been insignificant and reporting these as past due would distort the actual risk.

These proposals could potentially cause GNMA servicing to be deemed a less attractive business investment and potentially increase the cost to borrowers of loans originated through those programs. Large GNMA servicers would be at a disadvantage compared to institutions without a GNMA servicing portfolio by having to disclose inflated nonperforming assets.

We also have concerns reporting this foreclosed property in ORE. Foreclosed property held by GNMA servicers is typically held pursuant to actions required by the GNMA seller/servicer agreement and guide and represents claims filed with the VA or FHA. Reporting these claims as 'Other Assets' seems more proper. For example, in a GNMA securitization of a loan, the interest in the collateral is assigned to GNMA at transfer. Should foreclosure become a requirement during the loss mitigation process, HUD, pursuant to HUD Handbook 4330.4, Rev 1 (reaffirmed by HUD ML 2002-08 Proper Use of Direct Conveyance) states that "... where State law permits direct conveyance, a mortgagee should deed the property directly to HUD without taking title in its own name first, ...". Additionally, in certain jurisdictions title to FHA foreclosures is never held in the mortgagee's name as the chain of title progresses through foreclosure sale and court ratification. Record keeping required to achieve the reporting as proposed would create an unnecessary reporting burden due to the need to segregate claims in various stages, State by State and loan by loan. This would seem pointless considering the preponderance of the claims filed result in reimbursement to the servicer by the Federal agencies. Typically, claims for reimbursement are filed with the agencies within 15 to 30 days of foreclosure.

Finally, commingling of GNMA servicer related claims reported in 'Other Real Estate Owned' with bank owned foreclosures that are considered non-performing assets provides misleading information to readers of financial statements as the amount of risk associated with those claims has historically been minimal and represents a very different risk profile than other bank owned foreclosed assets.

In conclusion, we would suggest that delinquent and foreclosed GNMA loans be reported separately and not included in past due totals or in ORE. We believe this segregation would give readers of the financial data a more accurate representation of the Bank's risk.

Thank you again for the opportunity to comment on this proposal. If you have any questions, please feel free to contact me at (404) 230-1262 or [jorge.arrieta@SunTrust.com](mailto:jorge.arrieta@SunTrust.com).

Sincerely,

Jorge Arrieta  
Senior Vice President, Controller & Chief Accounting Officer

cc Alison Utermohlen, Mortgage Bankers Association  
Gwen Ritter, American Bankers Association